

2007 State Government Tax Collections Methodology

The U.S. Census Bureau sponsors and conducts this census of state and local governments as authorized by Title 13, United States Code, Section 161.

The 2007 Annual Survey of State Government Tax Collections (STC) provides a summary of taxes collected by state for up to 25 tax categories. These tables and data files present the details on tax collections by type of tax imposed and collected by state governments.

Population of Interest

The data cover the 50 state governments only. No local government data are included and should not be interpreted as state-area data (state government plus local government tax collections combined.)

The state government tax data presented by the U.S. Census Bureau may differ from data published by state governments because the Census Bureau may be using a different definition of which organizations are covered under the term, "state government".

For the purpose of State Government Tax Collections statistics, the term "state government" refers not only to the executive, legislative, and judicial branches of a given state, but it also includes agencies, institutions, commissions, and public authorities that operate separately or somewhat autonomously from the central state government but where the state government maintains administrative or fiscal control over their activities as defined by the Census Bureau.

For further information on the definition and organization of governments, see Chapter 1 of the [Government Finance and Employment Classification Manual](#) and the [2007 Census of Governments](#).

Content of the Survey

Statistics on the State Government Tax Collections Survey include measurement of tax by category: Property Tax, Sales and Gross Receipts Taxes, License Taxes, Income Taxes, and Other Taxes. Each tax category is broken down into sub-categories (e.g., motor fuel sales, alcoholic beverage sales, motor vehicle licenses, alcoholic beverage licenses, and so on). There are currently 25 different tax codes that state tax revenue may fall into.

In this survey, "taxes" are defined as all compulsory contributions exacted by a government for public purposes, except employer and employee assessments for retirement and social insurance purposes, which are classified as insurance trust revenue. Outside the scope of this collection are data on the unemployment compensation "taxes" imposed by each of the state governments. However, all receipts from licenses and compulsory fees, including those that are imposed for regulatory purposes, as well as those designated to provide revenue are included.

Tax revenue is further defined to include related penalty and interest receipts of a government, but to exclude protested amounts and refunds. The deduction from gross collections of amounts

refunded is particularly significant with respect to motor fuel sales taxes ("gasoline" taxes) and individual income taxes. The cost of collecting and administering taxes, however, is reported as an expenditure in the [State Government Finance Statistics](#).

For classification decisions involving the assignment of taxes, the Census Bureau typically examines three factors – imposition, collection, and retention (or distribution) of tax proceeds. The general rule is that tax collection amounts are assigned to the government controlling two of the three factors. In determining the assignment of taxes, the Census Bureau gives primary consideration to the government actually imposing the tax and usually credits that government with the tax collection. The government imposing a tax is the jurisdiction whose governing body adopts the legislation or ordinance specifying the type of tax, scope, and rate and requiring its payment. Generally, if another government collects a tax for the levying unit, then that government is considered to be acting as a collecting agent and is credited only with any amount it retains as reimbursement for administration or other costs. These guidelines apply to all taxes, whether levied under general municipal powers, charter powers, or specific state legislative authority.

The following examples are relevant.

- A locally-imposed and collected tax whose ordinance or statutory authorization specifies a distribution of funds to other jurisdictions (either mandatory or optional) is credited to the imposing government. In such cases, payments to the other units are treated as intergovernmental transfers.
- Taxes adopted by a government in response to requests from other jurisdictions who may then share in the proceeds also are credited to the imposing government, the distribution being treated as intergovernmental transfers.
- A state-mandated tax required to be levied by a local government and collected by that government is credited to the local government imposing the tax.
- That portion of a state-enacted tax which is locally collected and retained is credited as a tax of the collecting agency. This is true even if there is a voluntary sharing of the tax collections, and these transactions are classified as intergovernmental transfers. State or local government legislation which provides that the imposing government waive credit for part or all of the amounts transferred to other jurisdictions does not alter these guidelines.
- A state tax collected locally, and redistributed in accordance with state statute or administrative directive, is the most complex of taxes to assign. In recent years, several states have used their authority to redistribute or redirect property taxes designated for educational purposes. If the state imposes the tax, such as establishing a base millage for a property tax dedicated to public schools, AND there is a mandatory redistribution to other local governments of the taxes collected based on a state-controlled formula, the Census Bureau assigns the tax to the state government. In this example, the state controls two of the three factors used by the Census Bureau to determine tax assignment – imposition and distribution. The local collection of the tax is merely an agency transaction.

The examples below illustrate the various types of arrangements and how they are handled in this classification scheme:

- For a state government, local collection of state-imposed taxes is classified as state tax revenue.

- State government distribution of its tax proceeds to local governments (e.g., on a formula basis) is treated as intergovernmental expenditure of the state and as intergovernmental revenue of the local governments. This is true even for amounts designated as the “local share” of state-imposed taxes so long as the tax proceeds are collected by the state or transferred to the state by local government collection agents before their distribution.
- If the state collects a tax imposed by local governments, the collection and distribution to the imposing local governments is treated as an agency transaction; that is, the receipts are reported entirely as tax revenue of the local governments and not as either a state tax or state intergovernmental expenditure. These situations occur where a local government might impose a “piggyback” tax (always with state approval) onto a state tax of same type. Common examples are local option sales taxes and local option income taxes.
- Proceeds from taxes imposed by one local government but collected for it by another are reported as tax revenue of the imposing government, not the collecting one. Monies retained as a collection fee, however, are reported as tax revenue of the collecting government.

For 2006 and later, the ranking table shows states ranked by total taxes. Prior to 2006, the ranking table also showed states ranked by per capita amount. The ranking tables should be interpreted with caution; analysis based on rankings or per capita statistics can be misleading and misinterpreted because of subtle yet important differences in state government organization and economic structure. For example, using total taxes or per capita taxes as a measure of tax burden on the citizens of that state can be misleading because different states use different approaches to taxation, comparing only the total taxes collected by each state is not enough to understand the economic impact of those states’ taxes – one must also understand how those taxes are collected. Comparing taxes across states can be difficult. The Census Bureau’s statistics on tax revenue reflect taxes a state collects from activity within the state, not necessarily from its people within a state. Alaska, for instance, does not have general sales taxes or individual income taxes, but it does collect severance taxes from companies that extract oil and natural gas. Like Alaska, Florida does not collect individual income taxes, instead Florida relies heavily on a general sales tax, which, because of its tourist industry, is partially supported by visitors from outside Florida. In that sense, both Alaska and Florida collect “exported taxes” – taxes from people or organizations that may reside outside of their state.

The general nature of the several major kinds of taxes shown separately in this report is suggested by their headings. More detailed definitions are contained in the [2006 Government Finance and Employment Classification Manual](#).

The statistics reflect state government fiscal years that end on June 30, except for four states with other ending dates: Alabama and Michigan (September 30), New York (March 31), and Texas (August 31).

For further information on what is measured and how data are classified please consult [Chapter 4 of the Government Finance and Employment Classification Manual](#).

Data Collection

Data collected for the Annual Survey of State Government Tax Collections are public record and are not confidential, as authorized by Title 13, United States Code, Section 9. Data in these files

are based on information obtained from the 2007 Annual State Government Tax Collections Survey (form F5).

Most of the data in this report were gathered by a mail canvass of appropriate state government offices that are directly involved with state-administered taxes. There are approximately one hundred offices that are canvassed to collect data from all fifty states. Follow-up procedures include the use of mail, telephone and e-mail until data are received.

The following are important dates in the data collection process:

October 2007	Initial mail-out requesting source materials
December 2008	Non-response follow-up
February 2008	Completion of data compilation and editing

Data Processing

Editing

Editing is a process that tries to ensure the accuracy, completeness, and consistency of survey data. Efforts are made at all phases of collection, processing, and tabulation to minimize reporting, keying, and processing errors.

Data are processed from several collection methods including direct response to survey forms from state government officials, as well as from the compilation of administrative records and supplemental sources. Regardless of the collection method, these data are edited using ratio edits of the current year's value to the prior year's value. In addition to the ratio edits, data are subject to classification of administrative records.

Classification of administrative records

The fifty state governments provide the Census Bureau with administrative records from their central accounting system. These administrative records are unique to each state as each state is legally organized differently from every other state and, as such, each state has a unique organizational and accounting structure. It is the responsibility of the Census Bureau to classify the different accounting and organizational structures into uniform tax categories so that entities with different methods of government accounting can be presented on a comparable basis. The records represent the core, or central, state government and are limited to tax revenue. Data on state government tax revenues are compiled from state administrative records by Census Bureau employees, according to the Census Bureau's classification methodology as outlined in the [Government Finance and Employment Classification Manual](#).

Imputation

There may be times when state records do not include full tax revenue detail or reporting units do not respond and supplemental data sources are required. In such instances, supplemental

data sources from external financial reports or the Census Bureau's [Annual Survey of State Finances](#) and [Quarterly Summary of State and Local Government Tax Revenue](#) (Table 2) are required to complete the data set. This procedure is called imputation. Supplemental records are merged with data from the state governments. Although every effort is made to obtain financial information from all state government entities, financial statements may not be available at the time the Census Bureau closes the processing, or governmental entities may not respond to our requests. As a result the data are subject to revisions each year, under conditions of improved information.

Tabulation

After the data were edited and imputed, the 2007 State Government Tax Collections data were aggregated to yield the viewable and downloadable files that are available on the website.

Revisions

Revisions were made to Fiscal Year 2007 State Government Tax Collection data with the release of the Fiscal Year 2009 State Government Tax Collection data on March 23, 2010. Any revisions for Fiscal Year 2007 are documented with the character "R" next to the revised figure. This is available on all viewable and downloadable data available on the survey's [website](#). For additional information on the revisions made please see [Detailed Revisions for Fiscal Year 2007](#).

Sampling Variability

These data are not subject to sampling error because this is a complete enumeration of all 50 State governments.

Nonsampling Errors

Despite efforts made in all phases of collection, processing, and tabulation to minimize errors, the survey is subject to non-sampling errors such as the inability to obtain data for every variable for all units, inaccuracies in classification, mistakes in keying and coding, and coverage errors.

While the data records are ultimately from state government sources, the classification of finances among the different categories is entirely the responsibility of the Census Bureau. Therefore, classification might not reflect the actual classification or presentation as provided by the various state government respondents.

Response Rate

Data are compiled from official state government records from all state agencies resulting in 100 percent coverage of the state universe.